

Chapter 5

SPECIAL TOPICS RELATED TO THE PROPERTY ADMINISTRATION PROCESS

A. PROPERTY ADMINISTRATOR SUPPORT TO PROGRAM MANAGERS AND LOGISTICS PERSONNEL

1. Scope. This section provides policy and guidance to the PA and other Government personnel regarding the role of the PA at procuring activities.

a. Industrial Property Management Specialists (IPMS) should be designated at procuring contracting activities to assist Contracting Officers (COs) in the preparation and negotiation of contracts. They should participate in source selection and preaward surveys whenever a program will involve significant amounts of Government property. Once contracts are awarded, IPMSs should maintain liaison with PAs having cognizance for contractor locations and coordinate property administration issues.

b. IPMS support to COS, program managers, and Government logisticians is critical in ensuring that contract provisions associated with both program and system-related Government property to be provided to or acquired by contractors are properly implemented and administered.

c. When IPMSs are not available at contracting activities, PAs at contractor locations should resolve property issues directly with the CO or other established point of contact. It is vital that effective communication be established and maintained between IPMSs at program offices and PAs at contractor locations throughout the course of any major program to provide the basis for identification and resolution of Government property issues.

d. Effective coordination between PAs and IPMSs is critical whenever contracts provide Government-furnished property from Government depots, other contractors, or other sources. PAs must be fully aware of the types and amounts of authorized Government furnished property and the method of providing the property to the contractor. Whenever contractor acquisition of Government property through MILSTRIP procedures is authorized, PAs must ensure that only authorized property and quantities are being ordered by contractors and that correct MILSTRIP procedures are being used. Similarly, PAs must determine if delays are being experienced in the receipt of property required for contract performance. Contact must be maintained with program or depot logistical personnel for this purpose:

e. On major programs involving Government property, PAs should have direct interface with program personnel. Acquisition, utilization, and disposition of property may be reviewed on a program basis.

f. As programs near completion, PAs and IPMSS must plan for and coordinate the close out of property related issues. They must ensure that property is promptly reported for plant clearance once it is excess to contract requirements or ensure that other disposal provisions of the contract are complied with. The PLCO is responsible for screening, sales, and other disposal techniques to be used. However, the PA and IPMS must remain aware of the status of the disposal process and provide support as required to ensure timely and effective disposal of Government property at contract completion.

B. MANAGEMENT CONTROL ACTIVITY

1. Scope. This section provides policy and guidance for PAs in administering the DoD Instruction Number 4140.48 dated 6 March 1986, Subject: Control of Access to DoD Material Inventories Required by Defense Contracts.

2. Definition. Management Control Activity (MCA). DoD Component-designated activities that initially receive and control requisitions for GFM supplied from the wholesale DoD Supply system to support defense contracts or requirements.

3. Purpose. DoD Instruction 4140.48 provides policy, procedures, and responsibilities for authorizing access to DoD material inventories under defense contracts by controlling individual requisitions for Government-furnished material; and informing the CAO of material shipments to contractors under their cognizance.

4. Management Control Activity. Each DoD Component authorizing the use of GFM by contractors shall establish one or more MCA to maintain control over all contractor access to the DoD supply system.

a. Each MCA shall establish a system that:

(1) Causes all contractor initiated requisitions and/or DoD-initiated requisitions, which are coded for direct shipment to a contractor, to flow through the MCA for validation and approval.

(2) Restricts contractor access to specific predetermined items or classes of material authorized, to include maximum quantity, by insuring that requisition validity and authority are consistent with the terms of an existing contract.

(3) Rejects contractor requisitions that do not comply with the requirements of an existing contract. DoD supply sources will reject contractor initiated and/or DoD requisitions which are coded for direct shipment to a contractor for GFM that have not passed through and been approved by an MCA.

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(4) Passes approved requisitions to the appropriate DoD source for supply

action.

b. MCAS will establish a management reporting system that:

(1) Maintains a contract, requisition, and shipment status history file that serves as a record of GFM transactions.

(2) Provides DoD CAOS a status report that reflects the shipments of GFM to contractors or to DoD activities for subsequent shipment to contractors and of the GFM requisitions that were rejected.

(3) Alternative to subparagraph B.4.b.(2) above, provides DoD CAOS a status report that reflects the discrepancies between shipments for contractors and receipts by those contractors or interim DoD activities and the GFM requisitions rejected. —

5. PA Responsibilities. PAs shall use the GFM status reports provided by the MCAs, or other activity, to verify receipt of GFM or reconcile discrepancies between shipments and receipts during reviews in accordance with this Manual and agency direction.

6. Information Requirements. A GFM Status Report should be provided by the MCAS, or other activity, to DoD CAOS administering contracts. The report should be prepared quarterly for the reporting periods ending June 30, September 30, December 31 and March 31. The report shall provide the following information:

- a. Shipment of GFM to Contractors.
- b. Requisitions Rejected.
- c. Shipment of GFM to Contractor For Which Receipt Is Unknown.

C. MATERIAL MANAGEMENT AND ACCOUNTING SYSTEM

1. Scope. This section provides policy and guidance for PAs in providing support to COS for performance of DFARS prescribed responsibilities related to contractor MMAS.

2. Definition. MMAS means the contractor's system(s) for planning, controlling, and accounting for the acquisition, use, and disposition of material. MMAS may be manual or automated and they may be integrated with planning, engineering, estimating, purchasing, inventory, and/or accounting systems, etc., or they may be essentially stand-alone systems.

3. Policy. MMAS policy is prescribed by DFARS 242.7203.

4. General

a. DFARS 242.72 establishes requirements to protect the Government's interests in materials when the contractor has established an MMAS system. These interests include Government materials subject to FAR Subpart 45.5, as well as a financial interest in materials financed through Government progress payments.

b. MMAS provisions require careful coordination, communication, and understanding among the CO staff, the contractor, and the DCAA auditor. The PA, as an authorized representative of the Contracting Officer, with specialized knowledge of inventory control practices, should be a key member of the CO staff in support of MMAS requirements.

c. MMAS systems are unique in that they authorize contractors to physically commingle materials for which costs are charged or allocated to fixed-price, cost-reimbursement, and commercial contracts. The PA must, therefore, ensure that MMAS systems do not place the Government at undue risks related to material losses, or unauthorized diversion of Government assets to other work of the contractor.

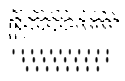
d. An MMAS system does not apply to Government-furnished material, other than those items acquired through a "cash sales" program.

5. Physical Inventories Prescribed for MMAS Systems. DFARS 242-7206(b)(5) requires adequate levels of record accuracy, including reconciliation through physical inventories. Although the nature and extent of these inventories are not prescribed, physical inventory requirements, including methods and frequency, should be based on the extent of risk posed to the Government, as described in DFARS 242.7208. PAs must ensure that both the records and physical inventories of Government-owned materials within an MMAS system comply with the contractual requirements of FAR 45.5. For all MMAS materials, PAs should assist the CO to determine if the contractor has complied with the physical inventory requirements of DFARS 242.7206(b)(5).

6. System Evaluation. DFARS 242.7208 prescribes an MMAS system evaluation to be conducted at least every 3 years except where the CO, in consultation with the auditor, determines that past experience and a current vulnerability assessment of the contractor discloses low risk. Where the Government is at high risk, more frequent evaluations are authorized.

7. PA Participation in MMAS System Evaluations

a. - PAs should participate in MMAS evaluations as scheduled by the CO to provide technical input on system requirements related to inventory control. PAs shall ensure that contractors maintain an adequate audit trail of property-related actions for Government-owned and progress payments materials, when requested by the CO, accountable to an MMAS system from acquisition through disposition. Use existing system analyses techniques for this purpose, but include MMAS materials in the review during the MMAS



system evaluation. Property functions to address include acquisition, records, physical inventories, consumption, and disposition.

b. MMAS evaluations should include consideration of the specific inventory control issues related to standards prescribed by DFARS 242.7206. These include:

(1) Ensuring that the contractor has adequate procedures and policies to address the property control elements of MMAS requirements. (See DFARS 242.7206(b) (1).)

(2) Determining if contractor internal audits of MMAS adequately address property issues. (See DFARS 242.7206(b) (10).)

(3) Ensuring that material acquisitions of MMAS inventories are based on valid material requirements planning documents such as bills of material, material requirements lists, or comparable documents. (See DFARS 242.7206(b) (2).)

(4) Ensuring that contractors maintain an adequate audit trail and records of property transactions involving MMAS assets. Transactions involving Government-owned material must comply with the requirements of FAR 45.5. (See DFARS 242.7206(b) (4).)

(5) Assisting the CO to determine the adequacy of contractor procedures and practices for transfers of parts. Ensuring that transfers are authorized and that the Government is not placed at undue risk associated with the transfer process. (See DFARS 242.7206(b) (6).)

(6) Ensuring that contractor procedures for loan and/or payback of MMAS assets conform to sound inventory control practices. As a minimum, the PA should ensure that a ledger or comparable record is maintained of all loan and/or payback transactions to ensure that Government financial and other interests are fully protected. (See DFARS 242.7206(b) (7)(ii).)

(7) Ensuring that systems provide for operational exceptions such as identifying excess and/or residual inventory as soon as it is known and initiating proper disposition action based on contract requirements and other factors. (See DFARS 242.7206(b) (3).)

D. PROGRESS PAYMENTS INVENTORY

1. **Scope.** This section provides information to the PA on the contractual provisions concerning Progress Payments Inventory. FAR 45.000 and 45.502(c)(2) state that progress payment inventory is exempt from FAR 45 requirements. The PA's involvement is limited to supporting requests for assistance from the Contracting Officer.

2. General. Progress payment inventory is that property acquired by the contractor to which the Government has a vested interest solely through FAR 52.232-16 progress payment clause provisions. The progress payment clause and FAR Part 32 provide policy and direction related to progress payment inventory. The intent of these provisions is to prevent overpayment of progress payments and to recoup progress payments allocable to lost or damaged property. The contractor is required to maintain an accounting system and controls adequate for the proper administration of the progress payment clause requirements. FAR 45.502(c)(2) specifically exempts progress payment inventory from FAR 45.5 property control requirements. However, the progress payment clause establishes property control requirements pertaining to progress payment inventory. These property control requirements may be administered by the PA, if requested by the CO.

3. Purpose and Intent of Progress Payments. Progress payments are provided as a means of financing contract performance and reducing financial burden on contractors. Since material and other contract costs are financed through the progress payments, the Government obtains title to the property until such time as contract requirements have been complied with and the progress payments are considered liquidated. Various courts have ruled differently as to whether the Government obtains clear “Title” or just a “security” or “collateral” interest i.e., a lien. The Government’s position is that title and not merely a lien is obtained. However, in those cases where a court rules that only a lien is obtained in the event of contractor default, either through bankruptcy or termination the security interest protects the Government’s investment in the property and provides a basis for recovery of the inventory. Unfortunately, in these cases, the Government may have to wait its turn with other creditors and/or financiers for a chance to recover the property to which it claims title.

4. Administration of Progress Payment Inventory Provisions

a. Although progress payment inventory is not subject to FAR 45.5, the contractor is required to adequately control this property. Special property reviews of progress payment inventory shall be performed at the request of the CO.

b. Reviews of firm fixed-price contracts should be on an exception basis when the Government has reason to believe that progress payment inventory is being managed in a way that places the Government at significant risk.

c. PAs may also become involved when there is progress payments inventory remaining on terminated contracts or when the contractor has filed for bankruptcy. This involvement shall be at the CO’s direction. The degree of involvement shall be determined at the agency level.

E. ADMINISTRATION OF SPECIAL TOOLING CLAUSE PROVISIONS

1. PA Responsibilities for Administration of FAR 52.245-17 Provisions.

a. The provisions of FAR 52.245-17, Special Tooling clause, provide the Government a method by which it may acquire a “Right to Title” to special tooling which the contractor may acquire in support of a Government contract. The clause also serves to identify tooling needed to support Government post production logistical requirements. Close coordination is needed between the buying activity, DoD logistical functions, contractors, and CAOS to coordinate implementation of the Special Tooling clause and management of tooling subject to the clause.

b. The clause is intended to be incorporated within contracts where the Government has identified a significant potential for Government use of tooling following completion of the production phase for a DoD program. For example, tooling for an aircraft production contract may be required for fabrication of spare parts or other repair effort after the production phase is complete. Where significant logistical provisioning for a DoD program is anticipated, incorporation of the FAR 52.245-17 clause is generally appropriate.

c. Conversely, when there is little potential use for special tooling after contract completion, or the use of the tooling is limited to its original contractor, incorporation of the special tooling clause is generally not appropriate. Buying activities and logistical functions must work closely together to consider the cost and potential benefits of incorporation of the special tooling clause.

d. The Special Tooling clause, FAR 52.245-17, applies only to tools acquired by the contractor for contracts containing the clause. Under the clause the Government has the option to take title to this ST as set forth in the clause. Generally, the PA is not involved with the control of “Right to Title” special tooling (RTTST) as this tooling is not subject to the requirements of FAR 45.5. The Government has a recognized interest in tooling subject to the Special Tooling Clause although the contractor has title to this RTTST until such time as the Government takes title at the direction of the CO. The PA may, at the request of the CO, become a participant in this process as a technical advisor to both Government and contractor personnel in special tooling management issues.

e. Tooling subject to the special tooling clause is not subject to FAR 45.5 and therefore is not generally included in the PA’s System Analysis. Generally, contracts containing the Special Tooling clause, as the only Government property clause, are not picked up for property administration assignment by the PA. For contracts containing the Special Tooling clause, the PA may be requested to assist the CO in the administration of inventory control and reporting requirements of the clause. The PA, at the CO’s request, may be responsible for the following actions:

- (1) Ensuring that special tooling acquired for contract performance is required

and does not include property misclassified as special tooling.

(2) Ensuring that existing tooling is transferred to Government contracts only when a contractual requirement exists within the gaining contract.

(3) Ensuring that the contractor develops and maintains data and records prescribed by the clause.

(4) Ensuring that special tooling is properly maintained.

(5) Ensuring that special tooling is used only as authorized.

(6) Ensuring that contractual provisions are incorporated in subcontracts, when appropriate, and enforced by the prime contractor.

(7) Ensuring that listings of special tooling are properly and accurately prepared and distributed by the contractor as prescribed by the Special Tooling Clause.

(8) Ensuring that the contractor promptly identifies and reports special tooling that is excess to contractual requirements.

(9) Providing support to COS and logisticians to coordinate retention planning of tools.

(10) Providing support, as required, to the disposition process of Special Tooling Clause assets. Although disposition of this tooling is not subject to the provisions of FAR 45.6, the CO or other Government representative must initiate screening, shipment, and other disposition actions in accordance with provisions of the clause.

F. AUTOMATED DATA PROCESSING EQUIPMENT

1. **Scope.** This section provides policy and guidance for PAs in administering their responsibilities on the acquisition, control, maintenance, utilization, reporting and disposition of Government-owned or leased automated data processing equipment (ADPE) provided to contractors for the performance of Government contracts.

2, **General.** ADPE is defined in FAR 3 1.001. ADPE is generally categorized as plant equipment (**See** FAR 45. 101) but may be classified under other categories dependent upon its use, purpose, or application.

3. **Policy.** It is the policy of the DoD that ADPE will not be acquired from commercial sources until, it is determined that the requirements cannot be met through the ADPE Reutilization or Automated Resources Sharing Programs at a cost savings to the Government. The Defense Automation Resources Information Center (DARIC) under the

Defense Logistics Agency (DLA) has been established to serve as the focal point for the DoD ADPE Reutilization or Automated Resources Sharing Programs. ADPE will not be procured, exchanged, sold, transferred, or disposed of without prior clearance through DARIC. To assist in the identification of ADPE, DoD 7950.1-M contains an appendix of noun names of the most common types of ADPE that are reportable for ADPE reutilization screening.

4. Acquisition. When a DoD contractor has a requirement for computer equipment exclusively for use as facilities, special test equipment, plant equipment or material, under one or more Government contracts, the contractor shall submit a DD Form 1851 with documentation attached as required by DFARS 270.604 to the CO with a copy to PA. Before submission to the CO for approval to purchase, the CO shall forward the approved requirements to the Director, Defense Automation Resources Information Center (ATTN: DARIC-R), Cameron Station, Alexandria VA 22304-6100 in accordance with the Defense Automation Resources Management Manual, DoD 7950.1-M. The provisions of on-line screening for possible reutilization of ADPE are applicable regardless of the manner of acquisition or dollar amount. ADPE with an acquisition cost of \$25,000 and above shall be screened using DD Form 1851, or through the remote on-line screening process.

a. Acquisitions must be approved in accordance with DFARS 270.601 in the following situations:

(1) If a contractor acquires ADPE for the account of or if title to the ADPE will pass to the Government.

(2) If a contractor leases ADPE, and the lease will not be for the account of the Government or title will not pass to the Government, and the total cost is to be allocated to one or more Government contracts requiring the determination or negotiation of costs.

b. Acquisitions must be approved in accordance with DFARS 270.603 if a contractor leases ADPE with an annual cost in excess of \$500,000, and more than 50% of the cost is allocated to Government contracts requiring the negotiation or determination of costs.

c. When leased ADPE is used on a Government contract and the total cost is charged to the Government under cost reimbursable contracts, the Government shall have the initial option to use any purchase credits or benefits earned through rental payments. The CAO shall ensure that this provision is in the lease agreement as required by DFARS 270.606.

d. Acquisition of ADPE acquired as facilities must meet the requirements in FAR 45.302-1.

5. Utilization. The contractor shall use ADPE for authorized purposes only. The

contractors's procedures shall include an acceptable method of accumulating utilization data in sufficient detail to determine the extent and manner of use of all ADPE, classified as plant equipment valued at \$5,000 or more. The prior written permission of the CO is required for any non-Government use of ADPE in accordance with DFARS 270.605. This approval may be granted if the requirements of FAR 45.407 are met and no additional costs are incurred by the Government.

6. Disposition. Excess ADPE and associated spare parts in the possession of contractors, whether leased or Government-owned, will be reported in accordance with DFARS 270.14 and DoD 7950. 1-M. The CO or his designated representative, which may be the PA or the PLCO, is responsible for ensuring that the contractor identifies and reports all ADPE, regardless of Federal Supply Class (FSC) in which it was originally provided or property category (facilities, STE, material, etc.), that is projected to become excess to the contract.

G. GOVERNMENT-OWNED REUSABLE CONTAINERS

1. General. Government-owned reusable containers may consist of four major types: serialized special design, non serialized special design, common design, and special tooling or special test equipment containers. Areas that require surveillance while in the possession of the contractor are acquisition, receipt, storage, movement, recording, reporting, inventory control, utilization, maintenance, and disposition.

2. Receipt of Reusable Containers. Contractors with reusable containers in their possession, whether acquired and/or fabricated by the contractor for the Government or provided by the Government, must receive and record the property in accordance with their approved property control system. The contractor may order Government-owned reusable containers from inventory control points when authorized by the contract by initiating appropriate MILSTRIP requisitions. The receiving process will require that the container quantity, part numbers, and serial numbers are verified whether received on a packing sheet, Government bill of lading, DD Form 1149, or DD Form 1348. During the receiving process, the containers must be inspected for damage in the presence of the earner. Before releasing the carrier, the contractor receiving inspection employee should annotate discrepancies if there are any found, and obtain the driver's signature on the freight bill.

3. Classification and Control of Reusable Containers. Government-owned end items returned to the contractor under contract for overhaul, modification, or repair may be shipped to the contractor in specially designed and fabricated containers. These containers shall be classified as agency peculiar property, and are subject to the requirements of FAR 45.5. Specially designed and fabricated reusable containers for special tooling should be considered as special tools and accountability maintained either jointly with the tool or independently when the container design and fabrication costs are charged to special tooling accounts. Another factor to consider is whether the container is dedicated to the storage, movement, shipment, and protection of specific tools. Often a special tooling container

consists of wooden or fiber boxes and formed protective foam, and should be identified as part of the special tooling set or unit. The container should have an identification tag and number that identifies it to the specific special tooling set. The container identification number, as well as container description, must be a part of the tooling records for the set or unit.

4. Physical Inventory of Reusable Containers. Contractors should physically inventory all reusable containers in their possession in accordance with their approved property control system or as specified in the contract.

5. LDD of Reusable Containers. LDD of Government-owned reusable containers should be reported at time of discovery as any other type of Government property; however, in some cases, there may be a contract provision for the repair of damaged reusable containers at the Government's expense.

H. SENSITIVE PROPERTY

1. Scope. This section provides policy and guidance for PAs in administering contract requirements relating to sensitive property (See DFARS part 223).

2. Definition. Sensitive property is property for which the theft, loss, or misplacement could be potentially dangerous to the public safety or community security, and which must be subjected to exceptional physical security, protection, control, and accountability. The following types of property shall be designated as "sensitive" in the contractor's property management system:

a. Weapons such as carbines, grenade launchers, rocket launchers, machine guns, pistols, recoilless weapons, revolvers, rifles, or shotguns.

b. Ammunition for the above weapons.

c. Explosives including demolition material (e.g., detonators, charges, blasting caps, firing devices, fuses, primers, timers), grenades, mines, and explosive waste developed from the manufacture of the foregoing.

d. Narcotics and dangerous drugs.

e. Radioactive Material. Any item or material that is, in itself, radioactive or that is contaminated with radioactive material giving readings in excess of background radiation as measured on an instrument designed specifically for the type of radiation being emitted.

f. Hazardous Material. Any used or unused personal property, including scrap and waste, that is ignitable, corrosive, reactive, or toxic because of its quantity,

concentration, or physical, chemical, or infectious characteristics. The property can be a solid, liquid, **semiliquid**, or contained gas form and may cause or significantly contribute to an increase in mortality or serious illness, or pose a substantial present or potential hazard to human health or the environment when improperly treated, stored, transported, disposed of or otherwise managed.

g. Hazardous Waste. Any material that is a solid waste as defined under the Resource Conservation and Recovery Act (**RCRA**) and has also been classified as hazardous in conformity with the provisions of **RCRA**. The Environmental Protection Agency (EPA) criteria for hazardous waste classification are specified in 40 **CFR** 261 and will be used to decide whether to **deal** with a solid waste as hazardous. Also, EPA-approved State hazardous waste programs may identify additional solid wastes as hazardous. These State designations will also be complied with.

h. Precious Metals. Uncommon and highly valuable metals characterized by their superior resistance to corrosion and oxidation. Included within the scope of this definition are silver, gold, and the platinum group metals - platinum, palladium, iridium, osmium, rhodium, and ruthenium.

i. Any other item designated by a Defense Agency or component to be sensitive.

3. GENERAL

a. Contractors' Procedures

(1) The contractor's procedures on property designated as sensitive must be specific and detailed particularly with regard to in-process control, protection, physical security, periodic inventories, and the immediate reporting and thorough investigation of inventory shortages or losses. Procedures should also be in sufficient detail to reflect receipt, accountability, storage, and movement within the plant and disposition of sensitive property.

(2) The contractor's procedures shall require that they report the theft or loss of arms, ammunition, and explosives (AA&E) (as described above) immediately by telephone or personal contact to the PA and the Defense Investigative Service (**DIS**), **ATTN: Director for Industrial Security** and also confirm the theft or loss of AA&E in writing as soon as possible. Information on the theft of AA&E shall also be provided to the local Federal Bureau of Investigation (FBI) Office, Bureau of Alcohol, Tobacco and Firearms, and the local police, as appropriate. Other sensitive item losses shall be reported by the contractor immediately by telephone or personal contact to the PA and confirmed in writing. The PA will advise all CAO concerned elements. Criminal violations shall be reported in accordance with Agency **directives**.

b. Records of Sensitive Property. Records of property designated sensitive shall be identified by an appropriate method (e.g., marking, stamping, color coding), so that such records may be readily distinguished from the records of nonsensitive items. In the case of weapons, all serial numbers shall be recorded on the stock record or automated equivalent. The unit of measure of narcotics, dangerous drugs, or radioactive material shall be in the smallest measurable units (grains, drams, milligrams).

c. Inventory of Sensitive Property. Physical inventories of property designated “sensitive” shall be performed as frequently as necessary, but in no case less often than annually, to obtain continuous control and agreement between physical inventories and record balances. Periodic inventory practices employed for non-sensitive property (e.g., cyclic) shall not be considered adequate for sensitive property.

d. System Analysis

(1) When sensitive property is involved, the initial analysis shall be performed expeditiously following assignment of the contract for property administration.

(2) Parts of the contractor’s property control system involving sensitive property, as defined above, shall be reviewed as frequently as necessary to ensure adequate control.

(3) PAs shall maintain close contact with the cognizant DIS Industrial Security Office to ensure AA&E contractors are receiving physical security inspections as required by DoD 5100.76-M, Physical Security of Sensitive Conventional Arms, Ammunition and Explosives at Contractor Facilities, and DoD 4145.26-M, Contractor’s Safety Manual for Ammunition and Explosives. In addition, PAs should exchange respective system analysis summaries performed at AA&E contractors with DIS to enhance overall property management at these locations. Also, when corrective actions are required as a result of the analysis and inspection by DIS, PAs, through the CO, shall advise the DIS Industrial Security Office of completed corrective actions. Physical security surveys of sensitive items conducted by DIS are limited to AA&E, and shall be considered separate from the system analysis required by this manual.

e. Final Review and Closing. FAR 4.8 establishes the standard closing time for physically complete contracts. The contractor’s actions should result in expeditious processing and completion of all Government property matters under the contract. Close out actions involving AA&E will require a plant visit. The signed determination shall describe the type of reviews performed and findings. Upon close out of AA&E contracts, a copy of the DD Form 1593, “Contract Administration Completion Record, ” or automated equivalent, will be forwarded to the cognizant DIS Security Office.

I. PROPERTY AT NON-PROFIT CONTRACTORS

1. Scope. This section Provides policy and guidance for PAs in administering the contract requirements relating to contracts at non-profit companies that incorporate the clauses FAR 52.245-2 (Alternate II) and 52.245-5 (Alternate I) in accordance with 45. 106(b)(3) and 45. 106(Q(2)).

2. General

a. Care must be taken to insure non-profit provisions are allowed only when the contracts incorporate the non-profit clauses FAR 52.245-2 (Alternate H) and 52.245-5 (Alternate I) in accordance with FAR 45.106. Non-profit contractors are not subject to multicontract cost and material control systems (see FAR 45.505-3(f). Non-profit contractors have special requirements for the material management accounting systems (see DFARS 242.7204).

b. In regard to property administration, the contractor's procedures and the system survey are essentially the same as for profit contractors. Major differences apply to various record requirements in FAR 45.5 and the title provisions in the clauses referenced above.

3. Title

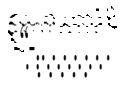
a. For equipment purchased with funds available for research and having an acquisition cost of less than \$5000, title will vest in the contractor provided the contractor obtained the CO's approval for the acquisition. This approval must be obtained before each acquisition. When approval is obtained, title vests in the contractor upon acquisition.

b. Title to contractor-acquired equipment with an acquisition cost of more than \$5000 vests as set forth in the contract. In other words, unless the contract specifically provides otherwise, title to equipment with an acquisition cost of \$5000 or more vests in the Government.

c. All equipment to which title is vested in the contractor under these provisions shall be listed in a report to the CO within 10 days following the end of the calendar quarter during which it was vested.

4. Records

a. When the non-profit clauses are incorporated, the use of receipt and issue records for material is accepted as adequate property control records. The provisions in FAR 45.505-3(e)- for non-profit indicate that material is issued directly "so as to be considered consumed under the contract. " Therefore, reviews under the survey categories of acquisition or consumption for indication of acquisitions of excessive quantity, allocability,



and diversions to other use are critical. As with any other contractor, the results of misclassification of equipment as material can lead to a serious lack of accountability.

b. Records of special tooling may consist of Government invoices, contractor purchase documents, or other documentation evidencing acquisition or issue, FAR 45.505-4(c). Records of transportation and installation cost of plant equipment do not apply, FAR 45.505-11.

5. Subcontractor Control. Due to the nature of non-profit contracts special attention must be applied to the contractor's system for subcontractor control. The subcontractors may not be entitled to the non-profit clauses due to the profit status of their company and/or the nature of their subcontract. In addition, FAR 45.505-2 requires unit prices be maintained for Government property at secondary sites and subcontractors of non-profit contractors. When non-profit contractors perform surveillance of subcontractors when the non-profit clauses are not incorporated, the non-profit contractor must be aware of the different requirements.

J. MILITARY STANDARD REQUISITION AND ISSUE PROCEDURE

1. Scope. This section provides policy and guidance for pAs in administering CONtraCt provisions relating to MILSTRIP actions.

2. General. Military Standard Requisition and Issue Procedure (MILSTRIP), as the name implies, is a requisitioning and issue procedure for use by military departments and contractors authorized by the terms of the contract to requisition or move Government material. MILSTRIP is a system using uniform codes and punch card formats designed to provide standard procedures of requisitioning, determining order status and receipt time frames, and returning Government material. This system is designed to permit the maximum use of automated data processing equipment to perform these tasks.

a. The procedures, forms, and instructions for the requisitioning and returning of Government Furnished Material (GFM) are prescribed for use by contractors when authorized by the terms of the contract pursuant to FAR Part 51 and 52.251-1.

b. DoD 4000.25-1-M, Military Standard Requisition and Issue Procedures provides policies, procedures, forms, and instructions for use by contractors in the requisitioning of GFM and the return of such material when directed by the cognizant military department in accordance with the MILSTRIP system.

c. Supplemental instructions to facilitate contractors in the preparation of GFM requisitions and return documents may be provided in a separate appendix to each applicable contract authorizing use of the MILSTRIP system.

d. When contractors are authorized to acquire property through use of the

MILSTRIP system, the PA and IPMS at buying activities must be fully aware of the specialized requirements of the authorization. The CO must provide:

(1) A DoD Activity Address Code (**DoDAAC**) from the appropriate DoD service point listed in Section 1 of the Introduction to the DoD Activity Address Directory (**DoDAAD**).

(2) The contract number(s) involved.

(3) The period of the authorization.

(4) The description (by Federal Supply Classes, National Stock Numbers or part numbers), and quantity and/or limits of Government property.

(5) Special codes such as routing identifiers, priorities authorized, advice, billing, and fund codes.

e. Contracts authorizing **MILSTRIP** may stipulate procedures and additional data requirements for acquisition, receiving, records, utilization, maintenance, physical inventories, disposition, and reports.

• 3. PA Responsibilities

a. The PA shall review the contractor's property control system to ensure that there is sufficient control over the access and use of the **MILSTRIP** system. When performing the initial review of the contract for assignment, the PA must determine if a change to the contractor's system will be required for compliance with the special contract requirements and DoD 4000.25-1-M. The PA should review MILSTRIP requisitions in accordance with Appendix A of the above cited Manual.

b. Generally, contractors are responsible for the preparation of requisitions through the **MILSTRIP** system. The Government may be responsible for the preparation of **MILSTRIP** documents when the GFM will be "pushed" to the contractor. There may also be times, specifically when dealing with smaller contractors, when the PA may be required to assist the contractor in requesting Government property using the **MILSTRIP** system. To facilitate this assistance, the PA should be familiar with the requirements of DoD 4000.25- 1-M. If difficulty is encountered in obtaining the contractually specified Government property through the **MILSTRIP** system, the PA should contact the CO for clarification and assistance. "

K. NASA PROPERTY

NASA LETTER OF CONTRACT ADMINISTRATION DELEGATION. SPECIAL INSTRUCTIONS . PROPERTY ADMINISTRATION (February 1989)

1. NASA property administration requirements generally correspond to the Department of Defense's. The differences, that are highlighted below, will require the PA's special attention.

a. Ensure all Centrally Reportable Equipment (CRE) is reported on DD Forms 1342, or equivalent, to the NASA installation NASA Equipment Management System (NEMS) Coordinator upon receipt, when condition or use status of equipment changes, and again when no longer required or being actively used (NASA FAR Supplement < NFS > 18-45 .505 -670). CRE is plant equipment, special test equipment (including components), special tooling, and non-flight space property (including ground support equipment) generally commercially available whether used as a separate item or as a component of a system, having an acquisition cost of \$1000 or more, and identifiable by a manufacturer and model number. Also, ensure the contractor's procedures provide for annual verification and update of NEMS listings provided annually by NASA as of June 30th. Check for compliance during system surveys of the records or reporting function. For CRE reported idle, the NEMS Coordinator will acknowledge receipt of DD Forms 1342 within 30 days of receipt and will initiate NASA screening or advise the submitter otherwise.

b. NASA does not delegate approval authority for equipment procurements to the administrative contracting officer (NFS 18-42.202). Ensure the contractor's procedures provide that such requests are forwarded to the NASA contracting officer. Ensure the contractor's procedures provide for NEMS to be screened, using DD Forms 1419, or equivalent format for **non-DIPEC** equipment, before any contractor acquisition or fabrication of CRE, unless for incorporation into flight-qualified or flight-monitoring deliverable end items (NFS 18-52.245-70). Check for compliance during system surveys of the acquisition function.

c. Include samples of both contractor-acquired (and subcontractor-acquired, if applicable) and Government-furnished materials in the acquisition portion of system surveys. When applicable, include sample of supplies ordered from Government sources using "Activity Address Codes.

d. Ensure the contractor's inventory procedures provide for a "reconciliation of inventory results within 30 days after completion of the inventory (NFS 18-45.508).

e. If the clause NFS 18-52.245-73, **FINANCIAL REPORTING OF GOVERNMENT-OWNED/CONTRACTOR-HELD PROPERTY** is in the contract, ensure the contractor prepares and submits NASA Form 1018, Report of **Government-Owned/Contractor-Held Property**, by July 31 to the organization cited in the clause and that

the data (particularly in “Additions” columns) is reasonable based on the last system survey (NFS 18-45.505 and 18-52.245-73). Negative reports are also required by that clause,

f. Ensure all cases of LDD of NASA property are promptly investigated, adequately documented, and reported to the contract administration office. Ensure discoveries of unrecorded property, as well as losses, are investigated, documented, and reported to identify both the causes and necessary actions to prevent recurrence of the discrepancies (FAR 45.502 (f) and (h), 45.504 (b), and NFS 18-45.508).

g. Ensure the contractor’s procedures provide for separately tagging (identifying) removable and/or reusable components of STE (FAR 45. 506c). Ensure the contractor does not categorize as STE any plant equipment used for general plant testing purposes (FAR 45.101 (a) and 52.245- 18). Include enough floor-to-records samples in system surveys to ensure proper tagging and recording of NASA property.

h. Exchange and/or sale authority for replacement of nonexcess personal property is extended to NASA contractors (NFS 18-17.7100). Ensure contractor’s procedures provide for obtaining prior CO approval and for subsequently reporting any exchange and/or sale transactions to the NASA installation Property Disposal Officer (PDO) and the individual listed in block 5 of the form,

2. Provide the following data and/or documents to the individual listed in block 5 of the form:

a. One copy of each Summary of Property Control System Survey performed for this contractor.

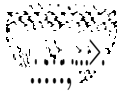
b. Notification of all granting of relief of responsibility for LDD property under this contract.

c. One copy of DD Form 1593, “Contract Administration Completion Record, ” or equivalent, for final payment purposes. Also, ensure contractor submits a “Final” NASA Form 1018 (i.e., all ending balances are zero) when disposition of all reportable property is complete.

These delegation instructions may not be altered without prior coordination with the Director, Supply and Equipment Management Division, NASA Headquarters in accordance with NFS 18-45.7203.

GRANT PROPERTY ADMINISTRATION AND PLANT CLEARANCE (February 1989)
All other functions are withheld.

1 . NASA property administration and plant clearance requirements for research grants generally correspond to the Department of Defense’s. The differences, that are highlighted



below, will require the PA's special attention:

a. The Grantee shall maintain property records and otherwise manage nonexpendable personal property used in the performance of this grant in accordance with the provisions of Paragraph 509 of the NASA Grant and Cooperative Agreement Handbook (GCAHB). Check for compliance during system surveys of the records function.

b. Ensure Grantee submits annually an inventory listing of Government-owned property under this grant with a copy of the contract to the Grants Officer listed in block 5 of the form. Such listings shall be as of June 30, and shall be submitted by July 31 as required in the GCAHB, Paragraph 408 (f).

c. Ensure all cases of loss, damage, or theft of NASA property are promptly investigated, adequately documented, and reported to the Grants Officer (GCAHB, Paragraph 509 (b) (4)). Ensure discoveries of unrecorded property, as well as losses, are investigated, documented, and reported to identify both the causes and necessary actions to prevent recurrence of the discrepancies.

d. Upon completion of the grant or when the property is no longer required, the Grantee shall submit a final inventory to the individual listed in Block 5 of the form for disposition instructions. Under no circumstances will Government property be disposed of without instructions from NASA.

e. Ensure all NASA identifications are removed or obliterated prior to disposition of property other than by return to NASA or reutilization on other NASA programs and/or contracts and/or grants.

f. NASA does not delegate approval authority for property acquisitions beyond those in the approved proposal budget (GCAHB, paragraph 408). Ensure that Grantee procedures provide that such requests are forwarded to the NASA Grants Officer. Check for compliance during system surveys of the acquisition function. Also, please note that NASA policy is to not furnish Grantees property acquired from Government excess listings.

g. Ensure Grantee acknowledges receipt of all Government-furnished equipment, providing the zip code of the property's physical location, if different from the shipping address, and any identifying tag number assigned by the Grantee.

2. Provide the following data and/or documents to the individual listed in Block 5 of the form:

a. 'One copy of each system survey summary performed for this Grantee.

b. Notification of all granting of relief of responsibility for LDD property under this grant.

c. A letter stating that all required property actions in Paragraph 514 of the GCAHB have been completed.

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